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OFFICE OF THE
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(1906-1992)

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(1917-1992)

FORD P. MITCHELL
(1930-1993)

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(1944-1996)

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May 12, 1999

VIA OVERNIGHT DELIVERY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

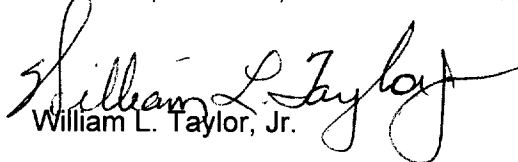
In re: Chattanooga Gas Company - ACA Audit for Year Ended 6/30/98
Docket No. 98-00776

Dear Mr. Waddell:

We are enclosing herewith revised filing relative to the above-referenced matter for Findings #18 and #54. We request that these be filed and appropriate distribution be made of the enclosed 13 copies.

Very truly yours,

SPEARS, MOORE, REBMAN & WILLIAMS


William L. Taylor, Jr.

WLT:jcb
Enclosures

cc.: Mr. Harry Thompson, President
Chattanooga Gas Company
6125 Preservation Drive
Chattanooga, TN 37416

Ms. Laura Foreman
Senior Financial Analyst
Tennessee Regulatory Authority
460 James Robertson Parkway
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Revised 5/11/99

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OFFICE OF THE
EXECUTIVE SECRETARY

Chattanooga Gas Company
ACA Audit: 7/1/97-6/30/98

FINDING #18:

Exception:

The Staff calculated an under-recovery of \$24,345.48 in the commodity recoveries.

Discussion:

The Company applied September 1997 rates to August 1997 volumes to compute the total actual billings for August.

Company Response:

The Company will adjust the total actual commodity billings on the ACA schedule and its general ledger accordingly.

Revised 5/11/99

**Chattanooga Gas Company
ACA Audit: 7/1/97-6/30/98**

FINDING #54:

Exception:

The Staff calculated an over-recovery of \$103,076.22 in the commodity interest accrual.

Discussion:

As a result of the above findings related to the commodity portion of the ACA, the commodity interest accrual has been overstated by \$103,076.22.

Company Response:

The Company will adjust the commodity interest accrual on the ACA schedule and its general ledger accordingly.

Revised 5/11/99

Chattanooga Gas Company
ACA Audit: 7/1/97-6/30/98

FINDING #55:

Exception:

The Staff calculated an over-recovery of \$17,768.76 in the demand interest accrual.

Discussion:

As a result of the above findings related to the demand portion of the ACA, the demand interest accrual has been overstated by \$17,768.76.

Company Response:

The Company will adjust the demand interest accrual on the ACA schedule and its general ledger accordingly.